
By: **Delegates Weir, Boteler, Cane, Minnick, and Sossi**
Introduced and read first time: February 18, 2003
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Real Property - Redemption of Ground Rents**

3 FOR the purpose of authorizing a tenant to redeem a reversion reserved in certain
4 leases under certain circumstances by providing certain documentation and
5 paying the redemption amount and certain fees to the State Department of
6 Assessments and Taxation; requiring the Department to issue a certain
7 certificate to the tenant; establishing that the redemption is effective when the
8 certificate is recorded in the land records of the county where the property is
9 located; authorizing the landlord to collect the redemption amount without
10 interest by providing certain documentation and paying certain fees to the
11 Department; requiring the Department to credit certain fees and funds collected
12 under this Act to a certain fund; requiring the Department to maintain a list of
13 properties for which the reversion has been redeemed; requiring the
14 Department to adopt certain regulations; requiring that certain redemptions not
15 collected by the landlord escheat to the State; requiring the Department to
16 annually transfer certain uncollected funds to the State General Fund;
17 establishing certain fees; requiring a certain continuing, nonlapsing fund to be
18 used for a certain purpose; altering notice requirements to redeem a reversion;
19 providing for a delayed effective date; and generally relating to the redemption
20 of reversions reserved in certain leases.

21 BY repealing and reenacting, with amendments,
22 Article - Corporations and Associations
23 Section 1-203(8) and 1-203.3
24 Annotated Code of Maryland
25 (1999 Replacement Volume and 2002 Supplement)

26 BY repealing and reenacting, with amendments,
27 Article - Real Property
28 Section 3-102(a) and 8-110
29 Annotated Code of Maryland
30 (1996 Replacement Volume and 2002 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Corporations and Associations**

4 1-203.

5 In addition to any organization and capitalization fee required under § 1-204 of
6 this article, the Department shall collect the following fees:

7 (8) For processing each of the following documents on an expedited basis,
8 the additional fee is as indicated:

9 Recording any document, including financing statements \$50

10 Certificate of status of a corporation, partnership, limited partnership, limited
11 liability partnership, or limited liability company, or a name reservation \$9

12 A copy of any document recorded or filed with the Department, or a corporate
13 abstract \$20

14 ISSUANCE OF A GROUND RENT REDEMPTION CERTIFICATE OR PAYMENT OF A
15 REDEMPTION AMOUNT TO THE FORMER OWNER OF THE GROUND RENT \$50

16 1-203.3.

17 (a) There is a continuing, nonlapsing fund that is not subject to § 7-302 of the
18 State Finance and Procurement Article.

19 (b) Subject to the appropriation process in the State budget, the Department
20 shall use the fund [for]:

21 (1) FOR the costs of reviewing, processing, and auditing documents filed
22 or requested under this article or other articles of the Code; AND

23 (2) TO PAY REDEMPTION AMOUNTS TO FORMER OWNERS OF GROUND
24 RENTS.

25 (c) The State Treasurer shall hold and the State Comptroller shall account for
26 the fund.

27 (d) The fund shall be invested and reinvested in the same manner as other
28 State funds.

29 (e) Investment earnings shall accrue to the benefit of the fund.

1 **Article - Real Property**

2 3-102.

3 (a) (1) Any other instrument affecting property, including any contract for
4 the grant of property, or any subordination agreement establishing priorities between
5 interests in property may be recorded.

6 (2) The following instruments also may be recorded:

7 (i) Any notice of deferred property footage assessment for street
8 construction;

9 (ii) Any boundary survey plat signed and sealed by a professional
10 land surveyor or property line surveyor licensed in the State;

11 (iii) Any assumption agreement by which a person agrees to assume
12 the liability of a debt or other obligation secured by a mortgage or deed of trust; [or]

13 (iv) Any release of personal liability of a borrower or guarantor
14 under a mortgage or under a note or other obligation secured by a deed of trust; OR

15 (V) A GROUND RENT REDEMPTION CERTIFICATE ISSUED UNDER §
16 8-110 OF THIS ARTICLE.

17 (3) The recording of any instrument constitutes constructive notice from
18 the date of recording.

19 8-110.

20 (a) (1) This section does not apply to leases of property leased for business,
21 commercial, manufacturing, mercantile, or industrial purposes or any other purpose
22 which is not primarily residential, where the term of the lease, including all renewals
23 provided for, does not exceed 99 years. A lease of the entire property improved or to be
24 improved by any apartment, condominium, cooperative, or other building for
25 multiple-family use on the property constitutes a business and not a residential
26 purpose. The term "multiple-family use" does not apply to any duplex or
27 single-family structure converted to a multiple-dwelling unit.

28 (2) This section does not apply to irredeemable leases executed before
29 April 9, 1884.

30 (3) This section does not apply to leases of the ground or site upon which
31 dwellings or mobile homes are erected or placed in a mobile home development or
32 mobile home park.

33 (b) (1) Except for apartment and cooperative leases, any reversion reserved
34 in a lease for longer than 15 years is redeemable, at the option of the tenant, after [a]
35 30 DAYS' notice [of one month] to the landlord. NOTICE SHALL BE GIVEN BY

1 CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO THE LAST KNOWN ADDRESS OF
2 THE LANDLORD.

3 (2) THE REVERSION IS REDEEMABLE:

4 [(1)] (I) For a sum equal to the annual rent reserved multiplied by:

5 [(i)] 1. 25, which is capitalization at 4 percent, if the lease was
6 executed from April 8, 1884 to April 5, 1888, both inclusive;

7 [(ii)] 2. 8.33, which is capitalization at 12 percent, if the lease was
8 or is created after July 1, 1982; or

9 [(iii)] 3. 16.66, which is capitalization at 6 percent, if the lease was
10 created at any other time;

11 [(2)] (II) For a lesser sum if specified in the lease; or

12 [(3)] (III) For a sum to which the parties may agree at the time of
13 redemption.

14 (c) If the lease is executed on or after July 1, 1971, the reversion is
15 redeemable at the expiration of 3 years from the date of the lease. If the lease is
16 executed on or after July 1, 1982 or between July 1, 1969 and July 1, 1971, the
17 reversion is redeemable at the expiration of 5 years from the date of the lease. If the
18 lease is executed before July 1, 1969, the reversion is redeemable at any time.

19 (d) If a tenant has power to redeem the reversion from a trustee or other
20 person who does not have a power of sale, the reversion nevertheless may be
21 redeemed in accordance with the procedures prescribed in the Maryland Rules.

22 (e) Notwithstanding subsections (b) and (c) of this section, any regulatory
23 changes made by a federal agency, instrumentality, or subsidiary, including the
24 Department of Housing and Urban Development, the Federal Housing
25 Administration, the Government National Mortgage Association, the Federal
26 National Mortgage Association, and the Veterans' Administration, shall be applicable
27 to redemption of reversions of leases for longer than 15 years.

28 (f) (1) Before the entry of a judgment foreclosing an owner's right of
29 redemption, a reversion in a ground rent or lease for 99 years renewable forever held
30 on abandoned property in Baltimore City, as defined in § 14-817 of the Tax - Property
31 Article, may be donated to Baltimore City or, at the option of Baltimore City, to an
32 entity designated by Baltimore City.

33 (2) Valuation of the donation of a reversionary interest pursuant to this
34 subsection shall be in accordance with subsection (b) of this section.

35 (G) (1) IF A TENANT HAS GIVEN THE LANDLORD NOTICE IN ACCORDANCE
36 WITH SUBSECTION (B) OF THIS SECTION AND THE LANDLORD DOES NOT RESPOND
37 WITHIN 60 DAYS AFTER THE DATE THE NOTICE WAS MAILED OR THE NOTICE IS

1 RETURNED AS UNDELIVERABLE, THE TENANT MAY REDEEM A GROUND RENT AS
2 PROVIDED IN THIS SUBSECTION.

3 (2) THE TENANT SHALL PROVIDE TO THE STATE DEPARTMENT OF
4 ASSESSMENTS AND TAXATION:

5 (I) DOCUMENTATION SATISFACTORY TO THE DEPARTMENT OF
6 THE LEASE AND THE NOTICE GIVEN TO THE LANDLORD;

7 (II) PAYMENT OF A \$20 FEE, AND ANY EXPEDITING FEE REQUIRED
8 UNDER § 1-203 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; AND

9 (III) PAYMENT OF THE REDEMPTION AMOUNT IN A FORM
10 SATISFACTORY TO THE DEPARTMENT.

11 (3) UPON RECEIPT OF THE DOCUMENTATION, FEES, AND REDEMPTION
12 AMOUNT REQUIRED UNDER THIS SUBSECTION, THE DEPARTMENT SHALL ISSUE A
13 GROUND RENT REDEMPTION CERTIFICATE TO THE TENANT.

14 (4) THE REDEMPTION OF THE GROUND RENT IS EFFECTIVE WHEN THE
15 TENANT RECORDS THE CERTIFICATE IN THE LAND RECORDS OF THE COUNTY IN
16 WHICH THE PROPERTY IS LOCATED.

17 (5) THE LANDLORD MAY COLLECT THE REDEMPTION AMOUNT,
18 WITHOUT INTEREST, BY PROVIDING TO THE DEPARTMENT:

19 (I) DOCUMENTATION SATISFACTORY TO THE DEPARTMENT OF
20 THE LANDLORD'S OWNERSHIP INTEREST; AND

21 (II) PAYMENT OF A \$20 FEE, AND ANY EXPEDITING FEE REQUIRED
22 UNDER § 1-203 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE.

23 (6) THE DEPARTMENT SHALL CREDIT ALL FEES AND FUNDS COLLECTED
24 UNDER THIS SUBSECTION TO THE FUND ESTABLISHED UNDER § 1-203.3 OF THE
25 CORPORATIONS AND ASSOCIATIONS ARTICLE. REDEMPTION AMOUNTS RECEIVED
26 SHALL BE HELD IN A GROUND RENT REDEMPTION ACCOUNT IN THAT FUND.

27 (7) THE DEPARTMENT SHALL MAINTAIN A LIST OF PROPERTIES FOR
28 WHICH GROUND RENTS HAVE BEEN REDEEMED UNDER THIS SUBSECTION.

29 (8) THE DEPARTMENT SHALL ADOPT REGULATIONS TO CARRY OUT THE
30 PROVISIONS OF THIS SUBSECTION.

31 (9) ANY FUNDS NOT COLLECTED BY A LANDLORD UNDER THIS
32 SUBSECTION WITHIN 20 YEARS AFTER THE DATE OF THE PAYMENT TO THE
33 DEPARTMENT BY THE TENANT SHALL ESCHEAT TO THE STATE. THE DEPARTMENT
34 SHALL ANNUALLY TRANSFER ANY FUNDS THAT REMAIN UNCOLLECTED AFTER 20
35 YEARS TO THE STATE GENERAL FUND AT THE END OF EACH FISCAL YEAR.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 January 1, 2004.